

PROGRAM TO SUPPORT THE NATIONAL RECONSTRUCTION PROCESS

(TC-98-12-00-9)

EXECUTIVE SUMMARY

REQUESTER AND BENEFICIARY: Government of Honduras

EXECUTING AGENCY: The Ministry of Finance

AMOUNT AND SOURCE OF FINANCING: IDB: US\$1,000,000
(FSO/nonreimbursable, foreign exchange)
Local counterpart funding: US\$ 100,000
Total: US\$1,100,000

FINANCIAL TERMS: Execution period: 24 months
Disbursement period: 30 months

OBJECTIVES: To work with the Government of Honduras on the national reconstruction process in the wake of the damage caused by Hurricane Mitch, through a sector approach. This involves a medium- and long-term strategy in sectors and priority areas that are consistent with systematic efforts at the national level. The government has requested that the Bank focus its efforts on housing, water supply, and sanitation. The specific objectives are to:
(a) support the selection of concrete areas of action and prepare the corresponding plans and specific procedures for executing components included in the reconstruction process. Reconstruction is expected to better position the country in terms of protection of the environment and vulnerability and exposure to the risk of natural disasters; and (b) strengthen the technical and managerial capacity of the institutions responsible for the reconstruction, in order to improve execution and performance.

DESCRIPTION: The program is comprised of three components: (i) technical assistance, with mechanisms that can be quickly accessed and disbursed, to finance sector studies and studies on vulnerability to natural disasters and the preparation of loan operations for reconstruction for the effective execution of the planned activities; (ii) institutional strengthening, to support the preparation of requests for funds from the technical assistance component and the execution of projects, including the operations recently approved by the Bank and projects under way using reallocated resources; and (iii) support for procurement, to assist the government with the contracting of works and consulting services under the master plan for national reconstruction.

ENVIRONMENTAL/SOCIAL REVIEW: The studies to be financed by the program will encompass terms of reference that cover a social and environmental impact assessment of the projects to be studied and the requirements under local law and

Bank policy (see paragraph 3.23).

**BENEFITS AND
BENEFICIARIES:**

The principal benefit of the operation is that public agencies with priority responsibility for the national reconstruction process will receive institutional strengthening. The entire Honduran population affected by the hurricane, particularly groups that are discriminated against or marginalized (low-income groups, women, and children) will benefit through an efficient, relevant, and systematic national reconstruction process.

RISKS:

The primary risk of the technical cooperation operation would be the limited capacity of the sector institutions heading up the national reconstruction process. The learning process for using the technical assistance resources may be slow. The institutional strengthening activities proposed through the contracting of consultants and specialized advisors are aimed at reducing that risk. There will be a full-time local consultant, and Operating Regulations will also be prepared to govern the use of program resources.

**ROLE OF THE
PROJECT IN THE
BANK'S STRATEGY:**

The Bank's strategy for Honduras, proposed in the country paper presented to Management's Programming Committee in October 1998, included two principal lines of action: (i) stimulating high, sustained economic growth; and (ii) supporting social development programs. This strategy sets forth the following lines of action: poverty reduction and alleviation through programs in social sectors, such as education, health, sanitation, and housing. The country paper's presentation to the Board was interrupted by Hurricane Mitch in that same month. A revised version of the country paper is therefore being prepared that takes into account the country's situation following the hurricane.

As part of the reconstruction process in Honduras, the Bank has allocated resources to cover: (a) short-term needs, consisting of US\$50,000, which has already been approved and made available to Honduran authorities, and US\$150,000 in nonreimbursable technical-cooperation funds to support the involvement of Bank projects to mitigate the effects of the disaster; and (b) medium-term needs, by reallocating resources from projects in execution, and up to US\$161.2 million in new operations approved by the Board of Executive Directors in November and December 1998. The technical cooperation operation being proposed here for US\$1 million is to support the national reconstruction process and is part of the Bank's assistance to Honduras.

**EXCEPTIONS TO BANK
POLICY:**

See "Procurement" below.

**SPECIAL
CONTRACTUAL
CONDITIONS:**

Eligibility for program disbursements will be contingent on: (a) the selection of a consultant responsible for supporting coordination activities, who will be hired locally; and (b) a tentative schedule of advisory services on specific topics and

institutional strengthening for the beneficiary sector agencies.

**PROCUREMENT OF
GOODS, WORKS, AND
CONSULTING
SERVICES:**

As an exception to the requirement of selecting consultants by means of a public call for bids, it is recommended that a consulting firm be hired directly to assist the government with the construction tendering processes involved in the master plan for national reconstruction. It is also proposed that the Bank, rather than the executing agency, perform this hiring (see paragraphs 3.12-3.15). All other consulting services would be hired by the government in keeping with Bank policies and procedures.